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Steven Mnuchin's Finest Hour.

The Treasury chief decides to end Fed emergency programs as Congress intended.

The late, great Milton Friedman used to say that nothing is so permanent as a temporary government program. That's one of many reasons taxpayers should thank Treasury Secretary Steven Mnuchin for moving to end most of the Federal Reserve's special pandemic lending facilities on Dec. 31 as Congress intended.

This isn't popular at the Fed, which likes its growing ability to allocate credit and please politicians with loans to their allies. It also won't go down well on most of Wall Street, which loves the Fed backstops. And Democrats are unhappy because they want a long-term call on the Fed for their own political ends.

But Mr. Mnuchin has acted in the best interests of the economy and the federal fisc, and the facts of the financial markets and politics explain why. Specifically, Mr. Mnuchin asked Mr. Powell in a letter Thursday to end the facilities that the Fed stood up with money under the March Cares Act. This includes the state and municipal lending program, primary and secondary corporate credit facilities, the Main Street facility for businesses, and the program for asset-backed securities.

All of these programs were created in an emergency at the onset of the pandemic when the financial markets were in danger of melting down. The Fed also stood up facilities, without Cares Act money, for commercial paper, money-market funds, and primary dealer credit.

The programs worked. Even as the pandemic and government shutdowns have waxed and waned, financial markets have healed. Lending spreads have fallen, and liquidity is ample in nearly all markets.

The facilities worked even without the Fed doing much lending. Their existence alone helped restore confidence. Treasury provided some $195 billion in Cares Act cash to backstop the facilities. But the Fed has made only $25 billion in loans or funding for other assets. Small and large businesses have ample access to credit, and so do cities and states.

Democrats are squawking about the Municipal Liquidity Facility going away, but so far it has made only two loans: one to the sorry state of Illinois for $1.2 billion and one to New York's Metropolitan Transportation Authority for $450 million. New Jersey considered the Fed facility, but this week it floated $3.7 billion in bonds paying 1.95% in the private markets and the offer was oversubscribed. If even a deadbeat like Trenton can tap the private markets, there's no need for the Fed to do the lending.

Mr. Mnuchin has also asked the Fed to return $455 billion in unused Cares Act funding to the Treasury. That money will sit in the general fund and Congress can reappropriate it for other uses. It could pay for a new Covid relief bill if Speaker Nancy Pelosi ever agrees to compromise. Or it could be used to reduce the deficit (we can dream).

None of this means the Fed is out of ammo. Mr. Mnuchin has extended for 90 days four Fed facilities that were set up with pre-Cares Act money in Treasury's Exchange Stabilization Fund (ESF). That includes the commercial paper and money-market programs. The ESF also retains some $80 billion, and $50 billion of that could quickly be used to leverage as much as $500 billion in lending if need be. The Fed will also retain $25 billion in its facilities that it could use to leverage another $250 billion.

The Fed issued a statement on Thursday griping about Mr. Mnuchin's decision, which proves the secretary's point. Chairman Powell is behaving like a politician these days, opining on fiscal policy that is not part of his mandate. But it would be an abuse of his authority and a rejection of Congressional intent if he refuses to return the $455 billion to Treasury.

He'd essentially be saying that any money handed to the Fed in an emergency is the Fed's to use for whatever purpose and for as long as the central bank wants. This would be an unprecedented intrusion into fiscal policy. And it would make Congress understandably reluctant to hand more money to the Fed in the future. Senators Mike Crapo and Pat Toomey, who negotiated the Cares Act language in detail, issued statements Thursday supporting Congress's intent to terminate the emergency programs on Dec. 31. Late Friday Mr. Powell replied in a letter to Mr. Mnuchin that the Fed will work with the Treasury to return the money.

The termination is also important to limit the demands by politicians to use the Fed for policies they can't get through Congress. Four Senators, including Minority Leader Chuck Schumer, wrote Messrs. Powell and Mnuchin this month urging that the Fed programs be expanded. Democrats want the Fed to bail out states, invest in public works, add climate mandates and promote racial justice. The U.S. economy doesn't need more politicized credit.

Political actors rarely cede power or money they've received in emergencies, and thus do temporary programs become permanent. Mr. Mnuchin has done a public service in breaking that pattern, and Mr. Powell will as well if he follows that good example.

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